Are Performance Reviews Critical To Business, or Worthless Paper?

Take a survey of the activities executives like the most in their jobs and performance appraisals of employees won't be in the top 10, or even the top 20. In fact, if you ask most managers to describe their job related duties chances are they won't even mention employee performance reviews.

Most managers hate doing performance appraisals so much they'll skip the entire process if they think they can get away with it. If forced to complete the process they typically save them all up until just before they are due and then run through all their employees one after another. They complete the forms, forward them to their boss, and forget about the process until reviews are due again next year.

Why is it that managers and employees dread the performance review? The list is long and varied; the review is a complaint session in which a manager's candor becomes a weapon to crush rather than build up an employee, managers bring up gripes from all year and dump them on the employee, managers and employees don't view situations in the work history the same and no one can remember what really happened, nothing ever changes as a result of the session so people view them as a waste of time, and most performance review systems are highly subjective with standards that vary from boss to boss, and from one employee to another.

Performance reviews are supposed to enhance employee effectiveness and organizational productivity. But the very name betrays one of its inherent weaknesses; *review*. You are focused on reviewing past performance, supposedly with an eye to improving future performance. But as grandpa used to say, "If the horse is already out of the barn, what good will it do to shut the door?" Reviewing what happened in the past seldom leads to startling insight that can be focused toward building future performance.

I asked a friend, "Have any of your bosses commented on a weakness that took you by surprise?" "Of course not," he said, "generally I viewed my performance more critically than my bosses." While I'm sure some employees are clueless, most of us have a pretty good handle on what our strengths and weaknesses are long before our boss tells us about them.

I asked the CEO of a small nonprofit organization if he did annual performance reviews, and he said, "No. When I hire a new employee I give them a job description and job standards document, review their performance at the end of a month, three months, and just before the end of the first year. If they're not working out I cut them loose. Everyone else I'm working so closely with that I know what their performance levels are."

I asked another friend if his organization did performance reviews and his response was, "Oh yes, we do them but everyone knows they really don't mean anything." In fact, in a casual survey of managers I couldn't find one who said that thy think performance reviews are an integral part of building employee performance.

The one thing that most of these managers did say is that they completed performance reviews to comply with management's expectations and that reviews were used to rank employees. These rankings were then used to guide compensation and promotion decisions.

Over the years I have come in contact with managers who say they rank everyone low in the beginning of their career so that they can show progress over the years. I've also known other managers who rank all of their people highly because to give them low marks would be a sign that they have failed as managers. Any employee that's been around for more than one or two reviews will see through these managerial games, and begin to play the game in earnest themselves.

It's no wonder that employees aren't fond of performance reviews. They view them for what they are; highly subjective, complex, time consuming ways for managers to justify raises and promotions! It's that "highly subjective" part that scares most employees. If you've got a good boss that you get along with you feel comfortable that you'll get a fair appraisal. But change bosses to one that's out of touch, with pet employees, and suddenly a highly respected employee becomes a candidate for outplacement.

With such a poor track record why do top executives continue to insist on performance reviews instead of focused goal setting? One seldom spoken, but real-life reason is protection from litigation. Just about everyone can be classified into one kind of minority group or another. Racial minorities, women, people with "alternate" lifestyles, people over 40, fat people, thin people, attractive people and unattractive people have all sued companies for wrongful

termination. These suits are costing companies billions of dollars every year. Well documented performance reviews are often a company's only line of defense.

Changing World

When the *Management by Objectives* system burst onto the business scene 60-years ago most company hierarchies were like a pyramid with 5-10 employees reporting to a manager, 5-10 managers reporting to a senior manager, etc. With these relatively narrows pans of control managers were close enough to their employees to know how they were performing on a day-to-day basis. Any manager worth his or her salt dealt with business issues as they came up because they knew what was going on.

The beauty of the MBO system was it focused on setting and achieving goals, not on reviewing an employee's work history for the past year. Managers therefore were focused on helping employees achieve goals and that was possible because of their close working relationships.

Most companies have gotten away from straight MBO systems in favor of more complex systems of employee performance reviews that focus on historical performance with a bit of attention on future objectives.

Consider for a moment the impact of our changing business climate. Organizations are flatter, spans of controls are broader, people in many jobs are spread out geographically so they rarely see each other or their boss, most communication is via video conference, E-mail, or phone message systems, many of us are now subject to "matrix management" which means we have more than one boss, and the concept of "do more with less" has increased just about everyone's workload.

How will these recent changes in our business climate affect the performance review system? Well, for one thing flatter, broader organizations mean the boss has more employees to keep track of; from 5-10 in the old days now it's more likely 15-50. Even if a manager's employees are all on the same floor with him or her it's much harder to know what everyone is doing. For those who are geographically spread out it's next to impossible to keep track of what work an employee is doing. Wide spans of control and enhanced technology have reduced personal contact even more because not only can we leave phone messages for each other, we can talk via computer E-mail. We really don't even need to get together for meetings anymore, just attend a video conference.

Another thing that makes performance reviews interesting is the idea of matrix management. Many of us have two or more bosses who may not always agree on what is the most important work, let alone the best approach to achieving business goals. Imagine sitting in your annual

performance review with your promotion or salary increase riding on the outcome and your bosses disagree about what work you did well, what you should have done, etc.

Christian Standards

Work has been a part of God's plan for mankind since Adam and Eve left the Garden of Eden. The Bible has a lot to say about the importance of work in our lives, and the high quality of work we should maintain.

The apostle Mark recorded reaction from the people regarding the example of work Jesus provided; *"People were overwhelmed with amazement. 'He has done everything well,' they said." (Mark 7:3)*. When was the last time all of your co-workers, bosses, and employees said that you have done everything well?

As Jesus told the Parable Of The Talents an image of three kinds of workers surfaced; those that do everything they can, those that do a little better than average, and those that do just enough to get by (Matthew 25:13-30). Of the best worker the master said, "Well done, good and faithful servant," but of the poor worker the master said, "You wicked, lazy servant!"

Paul wrote to the Colossians, *"Whatever you do, work at it with all your heart, as working for the Lord, not for men." (Col. 3:23)*. To the Corinthians Paul wrote, *"Do you not know that in a race all the runners run but only one gets the prize? Run in such a way as to get the prize." (I Cor. 9:24)*. To the Ephesians Paul wrote, *"Slaves, obey your earthly masters with respect and fear, and with sincerity of heart, just as you would obey Christ. Obey them not only to win their favor when their eye is on you, but like slaves of Christ, doing the will of God from your heart. Serve wholeheartedly, as if you were serving the Lord, not men." (Eph 6:557)*.

There can be no doubt that God intends for us to be productive, efficient, hard-working, honest employees.

Getting Started

Did your parents ever sit you down or an annual performance review session? Did they get out a notebook filled with your homework and say, "Now John, you must get better at this algebra. Otherwise I'll have to cut your allowance."?

I hope not! As parents most of us realize that when a youngster does something wrong we need to correct the wrong and move on; we put the issue behind us, and do not bring it up again. We all want our children to grow up and be the best they can be. That's why we teach them how to improve daily, and we encourage them as they make progress. Why should managing employees be any different?

Here are twelve steps to develop a strong performance review system and how to implement it in your organization.

Use honest scales. The Bible tells us to use honest scales and to not cheat anyone. Create a performance review system and then implement the system the same way with every employee in the organization.

Train the trainer. Remember, your performance review system is no stronger than the weakest person administering it. Train all of the people in the organization how to administer performance reviews.

Emphasize work in progress. Feedback in October that the employee did something poorly in February is not helpful. Provide constructive feedback on the spot. This may mean that the manager will have to spend more time with employees than with reports to executive management, but ask yourself which one produces more profit for the company?

Develop measurable performance goals. The manager and employee should establish measurable performance goals before the work begins. While bosses would like perfection all the time reality says there will be more misses than direct hits. It is wise to set goals that reflect "above and beyond the call of duty" work, and that which is the minimum acceptable. Goals should be adjusted based on changing conditions.

Keep detailed notes. No one has a good enough memory to remember the details of a project from six months ago. Make notes about each employee's accomplishments as well as their shortcomings on an on-going basis.

Measure what's important. No employee should be judged on every measurable aspect of their job. Determine key measures that contribute the most to job productivity, and focus on them to the exclusion of the minutia.

Evaluations should be a learning exercise for everyone. One of the best ways management can learn about the employee is to shut up and listen. During the review ask the employee to discuss his or her work, providing specific examples, for the past year. Do not jump in after the first example with your own editorials! Let the employee get all the way through their discussion before you open your mouth.

Get peer feedback. Peers often have a better sense of how well someone is doing than anyone else. Solicit their confidential input. One caveat though; beware the employee who never has anything bad to say about anyone, and the one who never has anything good to say.

Encourage employee assessment. Ask the employee for candid feedback with specific examples of how your performance helped or hindered them during the year. Again, shut-up and listen! No management editorializing or rationalizing allowed.

Be an encourager. Jesus was a model of encouragement. No matter what dumb things the apostles did, no matter how thick-headed they were, Jesus never berated them for their honest efforts. He always built them up with encouraging words.

Secure employee input. A study of Japanese industry indicated that top executives knew about 4% of the problems in the company yet employees knew about 95%. If you're a boss and you want ideas that will solve problems and strengthen your company, ask your employees during the review process.

Be accessible. Your job is to provide regular, balanced feedback that will help employee performance.

One Final Thought

As Christian managers and employees there can be no doubt that we are called to set a high standard in the workplace. Over and over again God admonishes the lazy worker referring to them as "wicked."

Throughout the Bible it is clear that the example we set in every aspect of our lives is a witness to the world. Jesus said, *"You are the salt of the earth. But if the salt loses its saltiness, how can it be made salty again? It is no longer good for anything, except to be thrown out and trampled by men. You are the light of the world. A city on a hill cannot be hidden. Neither do people light a lamp and put it under a bowl. Instead they put it on its stand, and it gives light to everyone in the house. In the same way, let your light shine before men, that they may see your good deeds and praise your Father in heaven." (Matt 5:13-15).*

Regardless of which side of the table you sit on during the performance review process make sure that you are "a light unto the world."

Words to Ponder

"The difference between perseverance and obstinacy is, that one often comes from a strong will, and the other from a strong won't." Henry Ward Beecher

"God is our refuge and strength, an ever-present help in trouble." Psalms 46:1

"but those who hope in the LORD will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they will walk and not be faint." Isaiah 40:31

"There is no failure except in no longer trying. There is no defeat except from within, no really insurmountable barrier save our own inherent weakness of purpose." Kin Hubbard

"A wise man has great power, and a wise man of knowledge increases strength." Proverbs 24:5

"Everybody finds out, sooner or later, that all success worth having is founded on Christian rules of conduct." Henry Martyn Field

"The secret of success is constancy of purpose." Benjamin Disraeli

"Success is to be measured not by wealth, power, or fame, but by the ratio between what a man is and what he might be." H.G. Wells

Cases In Real Life

Dick is a manager working for a Fortune 500 company. He has been with this one company his entire professional career of over 20 years.

When Dick started there were no performance review systems or even management by objectives systems. Over the years the company experimented with MBO in three-month, six-month, and even twelve-month increments. During recent years the company shifted away from MBO to a performance review system in which a manager reviews the past year's performance with each employee, they agree on strengths and weaknesses, and set 2-3 performance objectives.

Dick has been highly ranked most of his career and has had a number of work assignments that broadened his work experience. The company is in the midst of restructuring and while people are being moved around Dick's boss's boss, Alan, who is new to the region, wants him to take over parts of another job for what he says will be 3-4 months. Alan had never worked with Dick, and knew Dick only by reputation. Alan didn't know the job Dick currently had or the job he was asking him to take over.

Not surprisingly, Dick was hesitant, knowing it would be very difficult to sustain high levels of results for very long. Dick was pressured into taking the assignment.

As the three months stretched to six months, then nine results began to suffer. Dick was physically unable to do enough work to keep the business growing in all areas. He let management know about his concerns but they provided no relief.

Just past the one-year mark the company reassigned people, splitting the job Dick had roughly in half. During the year Dick's boss never spent a day with him, rarely discussed the business, and Alan worked with him only twice for part of a day. During these two contacts Dick received a lot of criticism for not getting the expected results accomplished.

After the company restructure Dick had two new bosses. At Dick's performance review not only did the two new bosses sit in but Alan decided to sit in as well. As senior man Alan took charge of the review and spent two hours going over areas where Dick's performance was below expectation. Alan provided detailed criticism of every objective that was not met. He did not recognize any of the significant accomplishments that Dick had made during the year. After delivering his criticism Alan said that he hoped Dick would do better during the next year or his performance rating would suffer. And then, without offering any constructive criticism, Alan told Dick to develop his work objectives with his new bosses and left for the airport.

Is it any wonder that employees don't like this type of performance review system? What good can come from a system of performance review where the boss rarely speaks to an employee, and almost never views their work in person? How can a manager legitimately look at a paper report of how many widgets were produced versus objective, criticize the employee, and not know or care that the equipment that made the widgets was broken down half the time?

Would a performance review that balances strong performance areas with the weaker areas be a better motivator? Would a review that takes into account the work situation of the individual employee be a better motivator? Would a review that spends more time focused on setting future work objectives and developing detailed plans be a better motivator? The answer to each of these questions is "yes." But even the best designed performance review system is no better than the least qualified person who administers it.

Meeting Notes

Use these meeting notes to provide your organization with the framework of a strong performance review system.

1) State the purpose of the performance review system.

    1) To provide the employee with an understanding of how they are viewed by management.

    2) To enable the employee to create an action plan that will help them reach their career goals.

2) Describe how the purposes of the performance review system will be accomplished.

    1) Review the past period's performance via specific examples. Look for examples of strength as well as those where improvement will enhance results.

        1) The manager and employee each prepare in advance specific examples that pertain to key work systems.

        2) The manager and employee discuss each of the specific examples during the performance review session.

        3) Discuss circumstances that led to strong results as well as less desirable results.

    2) Develop an action plan specific to the employee's skills that will enable them to accomplish important results.

        1) Jointly determine what the most important objectives for the next period will be.

        2) Determine how these objectives should be measured.

        3) Define success.

        4) Consider what elements of the objective you control and those that are not within your control.

        5) Establish a follow-up system that provides updates at regular intervals or critical points in the achievement of the objective.

        6) Be prepared to adjust plans to achieve the objective or even the objective itself based on changing conditions.

Key Points

- Most performance review systems are based on long-term historical views of performance rather than work in process.
- The focus of many performance review systems is to limit litigation rather than build employee skill sets.
- The marketplace is changing. Spans of control are broader, E-mail, phone mail, and video conferences have nearly replaced personal contact.
- Most managers have never been trained on how to administer performance reviews.
- Most performance review systems are highly subjective with standards that vary by manager and by employee.
- Reviews need to focus on work in process to be meaningful to employees.
- Performance goals should clearly define specific standards of performance that are considered excellent as well as performance that is considered minimum acceptable.
- Keep detailed notes. Document employee accomplishments as well as their shortcomings on an on-going basis.
- Determine key productivity measures and focus on them. Relate all feedback to these key areas.
- Solicit peer feedback for reviews but understand that it is biased.
- Be an encourager. Catch your people doing something right and tell them how good they are. Even when they do something poorly focus on their potential to do better.
- Ask employees what you have done in the last year that helped or hindered them in their work.
- Employees are a wealth of ideas. Solicit their input about problems and ask how things can be done better.
- Stay accessible. Nothing can replace personal contact with the boss.